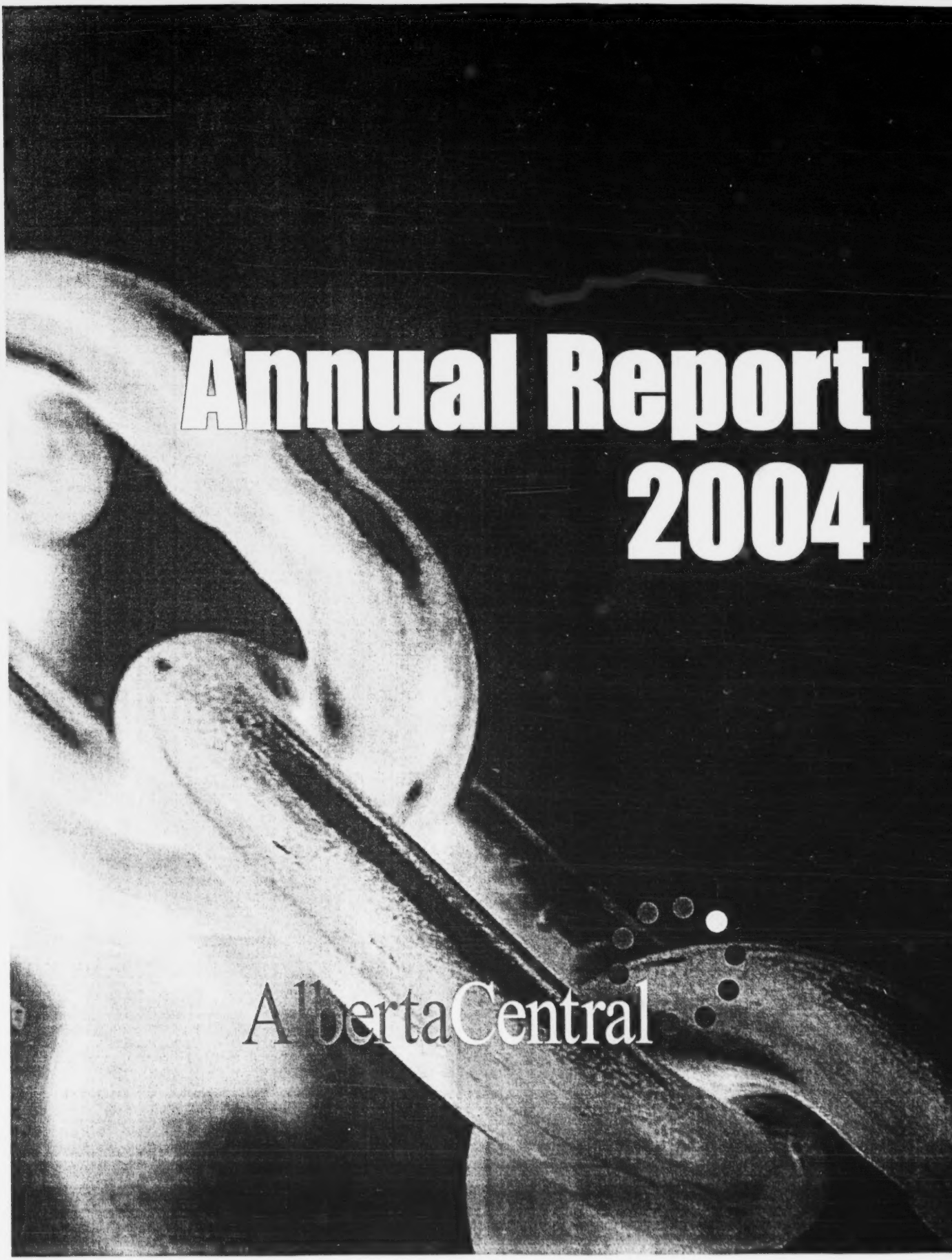
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2004
AlbertaCentral

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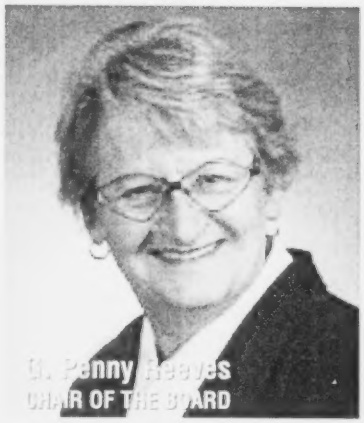
We are pleased to present Alberta Central's annual report for 2004. Its objective is to provide our members, partners, and employees with an overview of the past year—our financial performance, our major accomplishments and initiatives, our focus and business philosophy, and our strategic direction.

The 2004 annual report consists of two documents: one containing traditional financial performance information; the second explaining the complex structure of our system and focusing on the contribution of the corporate colleagues in our integrated financial products and services network. Alberta Central's partners, joint ventures, and our investments continued to contribute to our achievements over the past year.

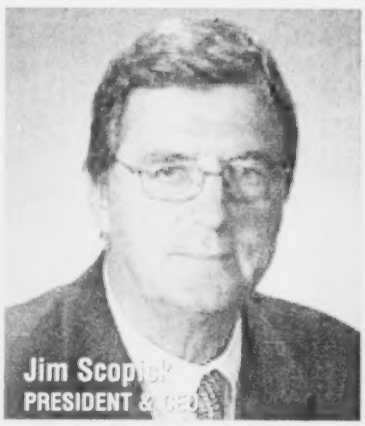
We are delighted to report that 2004 was another good year for Alberta Central and the Alberta credit union system. Solid financial results demonstrate our overall success this year and the results are available for your review as part of this document.

The "Strategic Links" part of the report highlights Alberta Central's place in our strategic partnership network. It provides an overview of our partners and joint ventures and shows how we combine our strengths and leverage our core competencies to achieve a common goal—to deliver the best possible service.

On behalf of the Board and the management team, we would like to express our appreciation to our team of employees and our strategic partners for their commitment, dedication and hard work, and to our members and shareholders for their continued trust and support.



D. Penny Reeves
CHAIR OF THE BOARD



Jim Scoplick
PRESIDENT & CEO

Alberta Central

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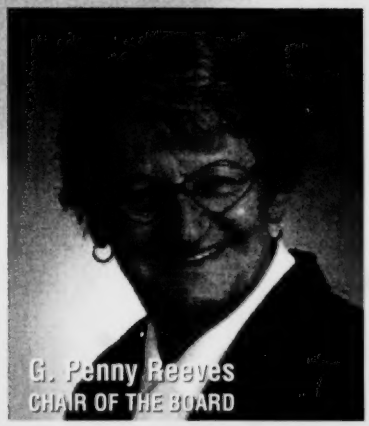
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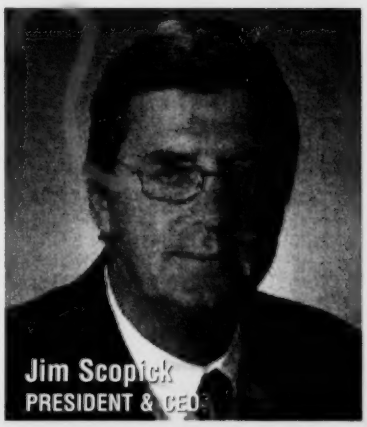
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AlbertaCentral

ALBERTA CREDIT UNION SYSTEM

The Alberta credit union system is comprised of 57 credit unions and Alberta Central. The system has a total of 205 branches across the province serving close to 640,000 members. The system had a solid year of growth, finishing the year just short of the $10 billion asset mark at $9.84 billion. The system's capital base continued to remain strong in 2004. Solid growth in equity of nearly 10% once again outpaced asset growth. The system also demonstrated superior financial performance by surpassing the $90 million mark for net income before taxes and dividends while staying true to its roots and maintaining a high level of member satisfaction.

Alberta Central is the financial services and support services provider to Alberta's 57 credit unions. Central's mission is to:

> **"support credit unions in meeting the expectations of members, through the leadership and excellence of our people, products and services".**

Through its 231 knowledgeable and dedicated staff and its strategic joint ventures, Central delivers its support to credit unions in the areas of finance, strategic planning, government relations, administration services, payment and statement services, credit card services and information technology solutions.

Alberta Central's asset base is $1.3 billion. Central's financial performance is a function of the close strategic relationship Central has with its member credit unions, its success in expanding its base of business by leveraging its core operating competencies, and its solid track record of managing a profitable investment and loan portfolio while maintaining a low risk profile.

DESCRIPTION OF ALBERTA CENTRAL'S SERVICES

Alberta Central is a member-focused, performance-driven organization dedicated to delivering high quality personalized services to its member credit unions. One of Alberta Central's key roles is to perform the functions of a central banker, providing investment, lending, and statutory liquidity services for Alberta credit unions. Central's goal is to safeguard the financial stability of the credit union system while creating new business growth avenues for credit unions. In support of this goal, Central offers its members a wide range of deposit and lending products and continually seeks investment and lending opportunities to help credit unions manage liquidity and improve earnings.

Alberta Central represents credit union interests to the provincial government, strategic partners and public audiences. With the diversity of credit union service needs and business strategies, Central plays a key role in facilitating communications and joint strategy development within the system, while ensuring member participation in setting and implementing system strategic direction.

Its joint venture partners allow Alberta Central to enhance its services to credit unions and to offer a full suite of new programs and innovative solutions. Credit Union Payment Services (CUPS) looks after credit union payment processing needs and supplies integrated value-added technologically-advanced services. Celero Solutions, Alberta Central's technology joint venture, supports credit union competitiveness in the marketplace by providing information technology solutions. CU Electronic Transaction Services (CUETS) partners with credit unions to provide card and merchant services to their members. Although no longer delivered through the CUOS joint venture, credit unions continue to have access to marketing, training, human resources, and business consulting services through Alberta Central's alliance with the MarketSolutions consulting division of SaskCentral.

And finally, Central has invested in organizations which provide wealth management services (Credential Financial Inc. and Ethical Funds Inc.), insurance (CUMIS and The Co-operators) and trust services (Concentra Financial) to ensure our system has core expertise in all the functions necessary to provide and support a full product suite for our clients. As well, our association with Canadian Central connects us to the Bank of Canada, the Canadian Payments Association and Interac.

Our philosophy of strategic cooperation and mutual support within the system, combined with the expertise of our partners and the dedication of our people, positions us to deliver the best possible service to members.

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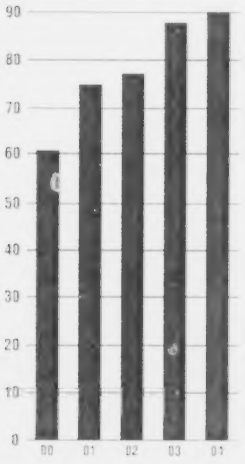
ALBERTA CREDIT UNIONS EARNINGS

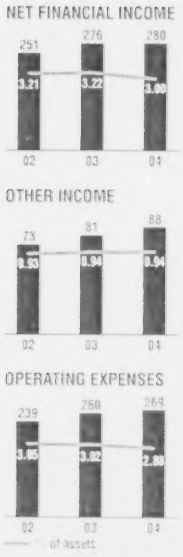
Credit unions achieved another record for operating results in 2004, reaching $90 million in earnings, compared to the previous year's record of $88 million. Credit union financial margin declined to 3.00% of average assets, from 3.22% in 2003. Other income was unchanged at 0.94% of average assets. While operating costs were up by $10 million, growth in the system helped improve efficiencies, as the cost of operating expenses as a percentage of average assets declined from 3.02% in 2003 to 2.88% in 2004. Credit union allowances for loan losses decreased to 0.10% in 2004 from 0.12% in 2003. Total delinquency also decreased, from 0.54% in 2003 to 0.50% in 2004.

Chart 1

Alberta Credit Unions Earnings

millions of dollars





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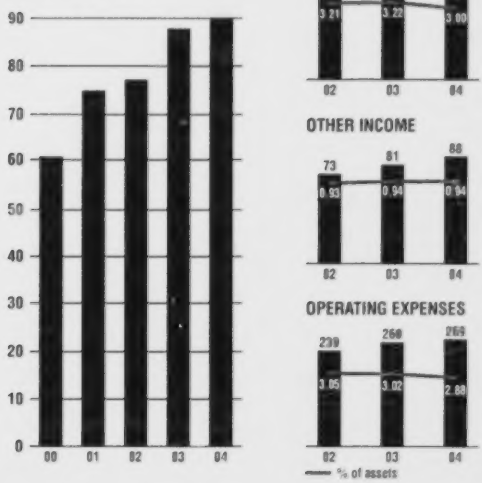


CREDIT UNION ASSETS

Credit union assets grew by 9.0% reaching $9.8 billion as of October 31, 2004 (Chart 2). This strong result was achieved through solid deposit growth of 8.8%. Deposit growth of $718 million exceeded loan growth of $685 million as credit unions put more emphasis on deposit growth in 2004 in order to improve liquidity levels. The largest loan growth occurred in the residential mortgage category, which grew by $425 million, or 11.1%. Residential mortgages now represent 52% of total system loans. The most significant growth in deposits was in term deposits, which increased $257 million (7.1%). The effect of deposit growth outpacing loan growth was that total non-statutory deposits increased by $35 million during the year.

CREDIT UNION EQUITY

The strong performance of Alberta credit unions in 2004 was also reflected in changes in equity. Total equity increased $62 million, from $659 million in 2003 to $721 million in 2004 (Chart 3). Equity at the end of 2004 amounted to 7.3% of total assets. The retained earnings component of equity increased $36 million to $283 million at the end of 2004.

Chart 2

Alberta Credit Unions Assets

billions of dollars

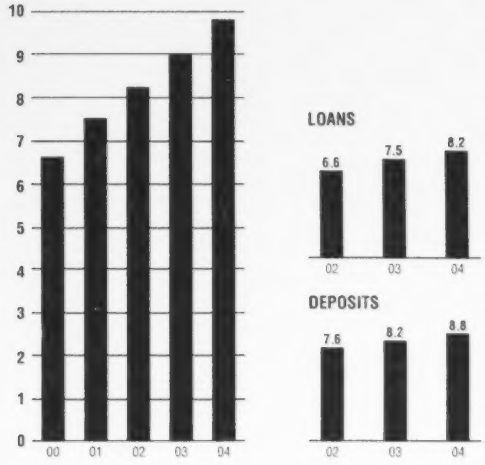
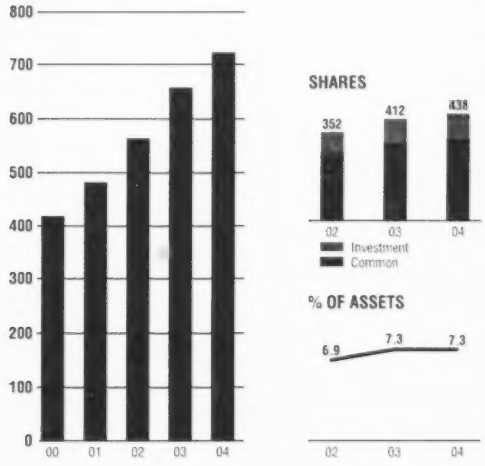


Chart 3

Alberta Credit Unions Equity

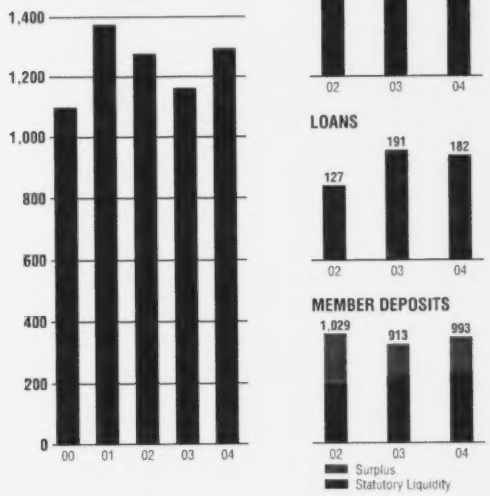
millions of dollars



ALBERTA CENTRAL ASSETS

Alberta Central's assets increased in 2004, following two successive years of decreasing assets. Assets closed the year at $1.29 billion, up from $1.16 billion in 2003 (Chart 4). Improved credit union liquidity levels were the most significant contributor to this welcome reversal. This improvement in liquidity resulted in credit union deposits in Central increasing 8.8% over the previous year, to just short of $1 billion. The effect on Alberta Central's balance sheet was an increase in total investments from $877 million at the end of 2003 to $1.046 billion at the end of 2004. Loans, on the other hand, decreased from $191 million in 2003 to $182 million in 2004. This included a decrease in credit union loans from $87 million to $78 million, a further indication of improved liquidity in the system.

Chart 4
Alberta Central Assets
millions of dollars



OPERATING LIQUIDITY

Chart 5 shows the changes in Alberta Central's sources of funding. Growth in the system was reflected in the increase in credit union liquidity requirements, which include statutory liquidity deposits and common shares.

The growth in assets of the Alberta credit union system directly resulted in an increase of 7.3% in statutory deposits, from $620 million at the end of 2003 to $665 million at the end of 2004. Other deposits also increased, from $293 million to $328 million, which was an increase of 11.9%. Total deposits increased 8.7% from 2003.

Alberta Central continuously monitors its liquidity levels to ensure that Central is in compliance with the statutory requirement that qualifying liquidity investments remain at a level of at least 6% of credit union system assets. The statutory requirement was exceeded by $348 million at the end of the year.

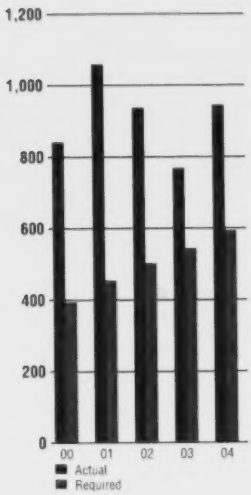
MEMBERS' EQUITY

Members' equity increased to $175 million at December 31, 2004 as compared to $163 million at the end of 2003 (Chart 6). The bulk of this growth was through an increase in common shares, which grew $11 million in 2004. Credit unions are required to maintain 1.5% of their previous year end assets in common shares. Retained earnings grew $1.6 million to $27.2 million.

Chart 5

Alberta Central Operating Liquidity

millions of dollars



% of Credit Union Assets

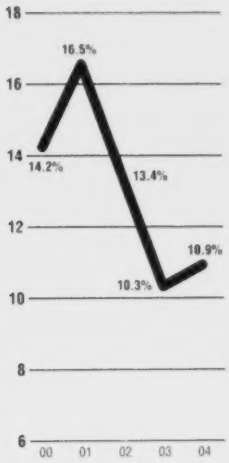
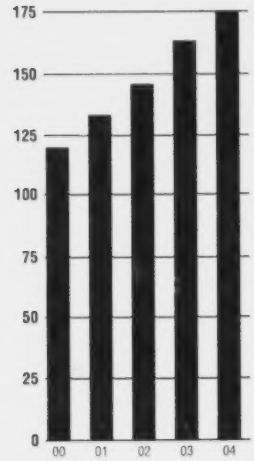
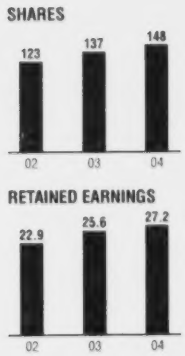


Chart 6

Alberta Central Members' Equity

millions of dollars





NET OPERATING INCOME

Alberta Central's operating revenues and expenses arise from Central's own operations plus the proportionate share of the operating revenues and expenses of its joint ventures.

Alberta Central transferred the assets and operations of its former information technology division into Celero Solutions (Celero) on January 1, 2003. While Celero is structured legally as a joint venture, it does not qualify as a joint venture for accounting purposes. Accordingly, the operating income and expenses shown in Alberta Central's 2003 and 2004 results include only the net results of Celero and do not include a share of Celero's total operating revenues and expenses. The effect of this accounting requirement is a decrease of approximately $20 million of both revenues and expenses from Central's income statement as compared to 2002; the bottom line, however, is not affected.

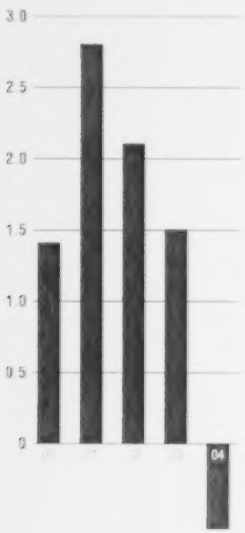
The goal of Alberta Central is to generate a positive position in net operations. Much of the results in this area are now determined by the various joint ventures in which Alberta Central participates. Alberta Central's proportional share of the following joint ventures are included in the 2004 consolidated results: CU Electronic Transaction Services, Credit Union Payment Services, Credit Union Organizational Support and Celero Solutions. As illustrated in Chart 7, over the past few years investments in new technology and restructuring of Central's joint ventures have had the impact of reducing the margin on Central's operations. In addition, a one-time financial adjustment in 2004 resulted in a negative net operations position for the year. Management believes that the restructuring and technological improvements put in place in recent years will result in growth in Central's operating income over the next few years.

Chart 7 illustrates the historical overall positive effect of corporate and joint venture operations. Although the 2004 results were negative, Central's 2005 operations are expected to rebound back to a positive position. Central's overall earnings for the year remained strong at $8.9 million before tax.

Chart 7

Alberta Central
Net Operating Income

millions of dollars



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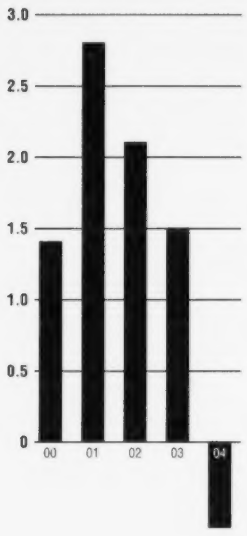
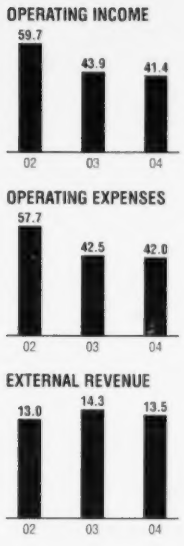




NET FINANCIAL INCOME

The average prime interest rate decreased 69 basis points in 2004 and the average three month bankers acceptance rates were approximately 67 basis points lower in 2004 than in the previous year. This contributed to lower levels of financial income and expense. Net financial income before provisions decreased from $9.9 million in 2003 to $9.3 million in 2004 (Chart 8). After provisions, net financial income for both 2004 and 2003 equaled $9.5 million.

EARNINGS AND DISTRIBUTIONS

Central recorded outstanding results in 2004 due to strong operating and financial margin performance. Earnings before patronage dividends, share dividends and taxes were $8.903 million.

These results enabled the payment of a share dividend of $3.5 million plus a $3 million patronage dividend. The patronage dividend represents a 6.75% rebate on all products and services purchased from Central, plus a 7 basis point return on financial transactions.

Chart 9 illustrates the after-tax distribution of earnings over the past five years plus the allocation to retained earnings which totaled $1.6 million in 2004.

Chart 8

Alberta Central
Net Financial Income
millions of dollars

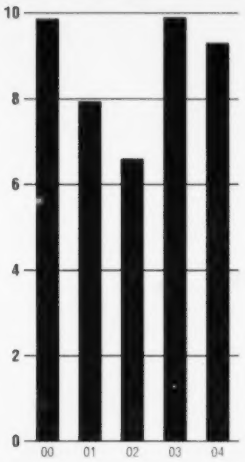
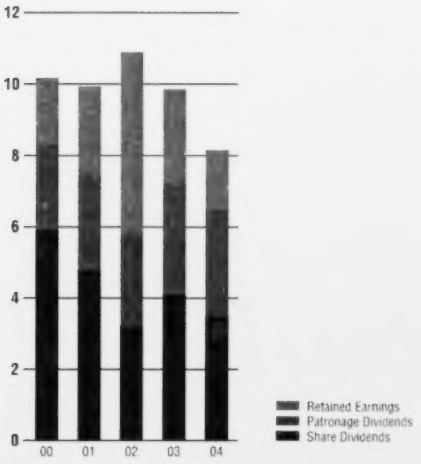


Chart 9

Alberta Central
Earnings Distribution
millions of dollars



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Credit Union Central Alberta Limited (Alberta Central) were prepared by management, who are responsible for the integrity and fairness of the data presented. Generally accepted accounting principles have been applied and management has exercised its judgement and made best estimates where deemed appropriate. Financial information appearing throughout this annual report is consistent with the financial statements.

Alberta Central's accounting and related financial controls are designed, and supporting procedures maintained, to provide reasonable assurance that the financial records are complete and accurate, and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business throughout Alberta Central. The system of internal controls is further supported by a professional staff of internal auditors who conduct periodic inspections of all aspects of Alberta Central's operations.

Both the federal and provincial regulators of financial institutions conduct examinations and make such enquiries into the affairs of Alberta Central as they may deem necessary to satisfy themselves that the provisions of the appropriate legislation are being duly observed and that Alberta Central is in sound financial condition.

The Audit and Finance Committee of the Board of Directors, composed entirely of outside Directors, reviews the financial statements before such financial statements are approved by the Board of Directors and submitted to the members of Alberta Central. The Committee reviews the audit plans of the internal and external auditors, the results of their audits and management's response to any identified recommendations for the improvements in internal control. The Committee is also responsible for recommending the appointment of the external auditors to the Board of Directors.

PricewaterhouseCoopers LLP, the independent auditors, have examined the financial statements of Alberta Central in accordance with generally accepted auditing standards and have expressed their opinion upon completion of such examination in the following report to the members. The auditors have full access to, and meet periodically with, the Audit and Finance Committee to discuss audit matters.

February 2, 2005

J. R. Scopick
President &
Chief Executive Officer

B.J. Johnson
Executive Vice-President

AUDITORS' REPORT

To the Members of Credit Union Central Alberta Limited

We have audited the consolidated balance sheet of Credit Union Central Alberta Limited (Alberta Central) as at December 31, 2004 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of Alberta Central's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Alberta Central as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in Canada.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

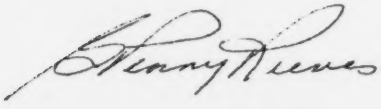
February 2, 2005

CONSOLIDATED BALANCE SHEET

December 31 *(thousands of dollars)*	2004	2003
ASSETS		
Cash and items in transit	$ **24,100**	$ 52,529
Securities (Note 2)	**1,051,998**	884,250
Accounts receivable (Note 3)	**20,674**	20,230
Loans (Note 4)	**182,336**	190,576
Capital assets (Note 5)	**9,503**	10,439
Other assets	**1,806**	2,214
	$ **1,290,417**	$ 1,160,238
LIABILITIES		
Accounts payable	$ **20,598**	$ 19,009
Members' deposits (Note 6)	**998,698**	918,427
Loans and notes payable (Note 7)	**96,159**	60,002
	1,115,455	997,438
MEMBERS' EQUITY		
Common share capital (Note 10)	**147,732**	137,171
Retained earnings	**27,230**	25,629
	174,962	162,800
Commitments (Note 16)		
	$ **1,290,417**	$ 1,160,238

See accompanying notes.

Signed on behalf of the Board



G. Penny Reeves, Chair

Marcel Chorel, First Vice Chair

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended December 31 *(thousands of dollars)*	2004	2003
Financial income		
Interest on securities	$ 27,084	$ 33,434
Interest on loans	6,785	7,058
	33,869	40,492
Financial expenses		
Interest on members' deposits	23,359	28,754
Interest on loans and notes	1,229	1,881
	24,588	30,635
Net financial income before provision for losses	9,281	9,857
Provision (recovery) for credit and investment losses	(249)	330
Net financial income	9,530	9,527
Operating income (Note 12)	41,380	43,940
Operating expenses (Note 12)	42,007	42,453
Net operating income (loss)	(627)	1,487
Earnings before patronage dividends and income taxes	8,903	11,014
Patronage dividends (Note 14)	3,000	3,000
Earnings before income taxes	5,903	8,014
Income taxes (Note 15)		
Current income tax expense	1,258	2,158
Future income tax expense (recovery)	270	(55)
	1,528	2,103
Earnings for the year	4,375	5,911
Retained earnings, beginning of year	25,629	22,909
	30,004	28,820
Share dividends (Note 14)	(3,514)	(4,141)
Recovery of income tax on share dividends	740	950
Retained earnings, end of year	$ 27,230	$ 25,629

See accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 *(thousands of dollars)*	2004	2003
Cash resources provided by (used in):		
Operating activities		
Earnings for the year	$ 4,375	$ 5,911
Items not affecting cash:		
Depreciation and amortization	3,498	3,259
Future income taxes	270	(55)
Provision for (recovery of) credit and investment losses	(249)	330
	7,894	9,445
Changes in non-cash operating components		
Accounts receivable	(444)	(3,914)
Other assets	138	2,035
Accounts payable	1,589	2,393
	9,177	9,959
Financing activities		
Increase (decrease) in members' deposits	80,271	(117,922)
Increase (decrease) in loans and notes payable	36,157	(14,803)
Issuance of share capital, net of redemptions	10,561	13,971
Payment of share dividends	(3,514)	(4,141)
Reduction of income tax on payment of share dividends	740	950
	124,215	(121,945)
Investing activities		
Proceeds on sale of merchant processing operations	–	1,250
Decrease in securities	101,262	289,060
Decrease (increase) in loans	8,240	(63,768)
Acquisition of capital assets	(2,562)	(6,457)
Net assets sold to equity investment (Note 9)	–	7,202
	106,940	227,287
Increase in cash resources	240,332	115,301
Cash resources, beginning of year	303,405	188,104
Cash resources, end of year	$ 543,737	$ 303,405
Cash resources consist of:		
Cash	$ 12,642	$ 29,499
Cheques and other items in transit	11,458	23,030
Securities maturing within three months	519,637	250,876
	$ 543,737	$ 303,405

See accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Credit Union Central Alberta Limited (Alberta Central) have been prepared in accordance with generally accepted accounting principles in Canada including the accounting requirements of the Superintendent of Financial Institutions Canada and Alberta Finance. The financial statements include the accounts of Alberta Central and its proportionate share in the assets, liabilities, revenues and expenses of its joint ventures, and reflect the following policies, which conform, in all material respects, to Canadian generally accepted accounting principles:

a) Securities

Securities are stated at cost, less any provision for losses. Discounts or premiums on purchase of securities are amortized over their remaining term.

b) Provision for losses

Alberta Central maintains allowances for impairment to absorb losses in its investment and loan portfolios. These allowances are determined by regular management reviews of each investment and loan to identify impairment. Specific allowances are recorded to reduce the carrying amount of investments and loans to their estimated realizable values. Estimated realizable amounts are determined by discounting the expected future cash flows at the effective interest rate inherent in the investments and loans. When the amounts and timing of future cash flows cannot be reliably established, estimated realizable values are determined by reference to the fair value of any underlying security or market price for loans and investments. In addition, a non-specific allowance based on an overall evaluation of risk in the portfolios is made in recognition that not all losses can be identified on an item-by-item basis.

c) Equity investment

Alberta Central uses the equity method to account for an investment over which it exercises significant influence. Under this method, Alberta Central's share of the net earnings of the investment is recorded in operating income. The book value of the investment is adjusted for the share of earnings and distributions received from the investee. Investments are written down to recognize losses in the value of the investment that are other than temporary.

d) Depreciation and amortization

Capital assets are depreciated on a straight-line basis over periods ranging from three to ten years.

e) Income taxes

Alberta Central follows the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. The future tax assets and liabilities are calculated using substantively enacted tax rates that will be in effect when the differences are expected to reverse.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Derivatives

Derivatives are used to manage Alberta Central's exposure to interest rate risks associated with on-balance sheet financial instruments. Effective January 1, 2004, Alberta Central adopted a new accounting guideline for hedging relationships, issued by the Canadian Institute of Chartered Accountants. The guideline establishes certain qualifying conditions for the use of hedge accounting, which are more stringent and formalized than prior standards. Alberta Central formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Alberta Central also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Gains and losses from derivatives are recognized in earnings in the same period as income or expense from the hedged position. The adoption of this accounting guideline resulted in a $1,015 thousand pre-tax reduction of 2004 earnings relating to the credit card business of one of Alberta Central's joint ventures.

g) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. Actual results could differ from those estimates.

2. SECURITIES

(thousands of dollars)	**2004**	2003
Government	**$ 97,684**	$ 77,681
Corporate	**937,484**	789,924
Credit Union Central of Canada	**3,634**	3,549
Mortgage pooling funds	**7,025**	6,055
	1,045,827	877,209
Less: non-specific allowance	**(160)**	(409)
	1,045,667	876,800
Accrued interest receivable	**6,331**	7,450
	$ 1,051,998	$ 884,250

In accordance with the National Liquidity Fund Agreement, $190,405 (2003 – $170,287) of these investments are maintained in a segregated safekeeping account.

Alberta Central has a contractual obligation to provide capital and liquidity support for credit card receivables held by Concentra Financial Services Association (formerly Co-operative Trust Company of Canada). As at December 31, 2004 $63,167 (2003 – $70,667) of the above investments were made under this agreement.

3. ACCOUNTS RECEIVABLE

(thousands of dollars)

Accounts receivable includes $1,845 (2003 – $5,414) due from credit unions related to the purchase of bank branches in 2000.

4. LOANS

(thousands of dollars)	2004	2003
Credit unions	$ 78,298	$ 86,615
Cooperatives	6,331	12,690
Commercial loans and mortgages	87,919	81,416
Employee mortgages	10,009	10,053
	182,557	190,774
Less: non-specific allowance	(615)	(615)
	181,942	190,159
Accrued interest receivable	394	417
	$ 182,336	$ 190,576

5. CAPITAL ASSETS

(thousands of dollars)			2004	2003
	Cost	Accumulated depreciation	Net book value	Net book value
Equipment	$ 4,726	$ 3,571	$ 1,155	$ 1,375
Operating software and development costs	13,394	7,019	6,375	7,130
Leasehold improvements	4,663	3,572	1,091	985
Furniture and fixtures	2,553	1,671	882	949
	$ 25,336	$ 15,833	$ 9,503	$ 10,439

6. MEMBERS' DEPOSITS

(thousands of dollars)	2004	2003
Current accounts and demand deposits	$ 50,725	$ 53,225
Money market deposits	277,268	239,827
Statutory liquidity deposits	665,217	619,586
	993,210	912,638
Accrued interest payable	5,488	5,789
	$ 998,698	$ 918,427

7. LOANS AND NOTES PAYABLE

(thousands of dollars)		**2004**		2003
Credit Union Central of Saskatchewan	$	**12,074**	$	9,154
Credit Union Central of Canada		**11,037**		–
Commercial paper		**73,048**		50,848
	$	**96,159**	$	60,002

Alberta Central has entered into an agreement with Credit Union Central of Canada for a line of credit to a maximum of $50 million. Pursuant to the terms of the National Liquidity Fund Agreement, Alberta Central is obliged to provide a general security interest over Alberta Central's property on demand by Credit Union Central of Canada to secure this line of credit. Amounts are due on demand and bear interest at the bank rate less .25% per annum.

Alberta Central is authorized to issue commercial paper to a maximum of $150 million.

The Credit Union Central of Saskatchewan loan is due on demand and bears interest at the 30 day average bankers' acceptance rate declared from time to time plus .75% per annum.

8. JOINT VENTURES

Alberta Central has interests in joint ventures as follows:

- CU Electronic Transaction Services – 50%, a credit card processing entity
- 3553256 Canada Inc. – 50%, a holding company
- Credit Union Payment Services – 50%, a payment processing entity
- CUOS Joint Venture (Credit Union Organizational Support) – 50%, a consulting services entity. Effective December 31, 2004 the operations of the CUOS Joint Venture have been discontinued. Earnings for the year before income taxes reflect losses of $362 (2003 – $504) from the discontinued operation.

Alberta Central's proportionate share of its investments in joint ventures before inter-entity eliminations is summarized below:

(thousands of dollars)		**2004**		2003
Balance Sheet:				
Securities	$	**11,167**	$	11,167
Accounts receivable		**11,017**		11,431
Loans		**543**		543
Capital assets		**7,236**		8,215
Other assets		**886**		725
	$	**30,849**	$	32,081
Accounts payable	$	**5,872**	$	6,590
Loans and notes payable		**22,777**		20,831
Equity		**2,200**		4,660
	$	**30,849**	$	32,081

8. JOINT VENTURES (continued)

(thousands of dollars)	2004	2003
Statement of Earnings:		
Operating income	$ 31,954	$ 34,181
Operating expenses	30,116	29,958
Earnings for the year	$ 1,838	$ 4,223
Statement of Cash Flows:		
Cash flows resulting from (used in):		
Operating activities	$ 2,560	$ 6,620
Financing activities	(3,177)	2,264
Investing activities	(481)	(8,828)
Increase (decrease) in cash resources	$ (1,098)	$ 56

9. EQUITY INVESTMENT

(thousands of dollars)

Alberta Central has a 33.4% interest in Celero Solutions (Celero) which was formed effective January 1, 2003 as a joint venture of Alberta Central and various other cooperative entities for the purpose of providing information technology services. While Celero is legally structured as a joint venture, it does not qualify as such for accounting purposes. Accordingly, Alberta Central accounts for its investment in Celero on the equity basis.

In connection with the formation of the joint venture, Alberta Central sold its information technology services business to Celero on January 1, 2003 for cash consideration of $7,202 which was equivalent to the net book value of the related assets and liabilities. The assets sold included capital assets having a net book value of $6,325.

Celero's operations are funded by loans from its owners. At December 31, 2004, loans (note 4) included Alberta Central's loan to Celero of $9,373 (2003 – $9,704), bearing interest at the prime rate. At December 31, 2004, Alberta Central owed $207 to Celero (2003 – $1,724 due from Celero) in respect of operating activities. In addition, at December 31, 2004, Alberta Central's accounts receivable included amounts relating to Celero business operations of $4,702 (2003 – $1,376). Alberta Central's share of Celero's operating deficit for the year ended December 31, 2004 amounted to $209 (2003 – $968) and is included in operating expense.

10. COMMON SHARE CAPITAL

Authorized – unlimited number at $5 per share.

Issued and outstanding – 29,546,400 shares (2003 – 27,434,200).

(thousands of dollars)	**2004**	2003
Balance, beginning of the year	**$ 137,171**	$ 123,200
Issued	**10,567**	13,993
Redeemed	**(6)**	(22)
Balance, end of the year	**$ 147,732**	$ 137,171

Alberta Central's bylaws require member credit unions to maintain common share capital in Alberta Central in an amount equal to one and one half percent (1.5%) of each credit union's assets as at the end of the credit union's most recent fiscal year.

11. INTEREST RATE SENSITIVITY

(thousands of dollars)

	Within 3 Months	3 to 6 Months	6 to 12 Months	1 to 3 Years	3 to 5 Years	Non-Interest Sensitive	Total
Assets							
Cash resources	$ 10,386	$ –	$ –	$ –	$ –	$ 13,714	$ 24,100
Securities	804,537	124,123	80,567	27,480	8,536	6,755	1,051,998
Loans	101,380	18,399	23,361	34,097	5,320	(221)	182,336
Other assets	916	927	–	–	–	30,140	31,983
	$ 917,219	$ 143,449	$ 103,928	$ 61,577	$ 13,856	$ 50,388	$ 1,290,417
Weighted average interest rate	2.83%	2.76%	3.53%	5.06%	2.48%		2.87%
Liabilities & members' equity							
Members' deposits	$ 590,214	$ 192,168	$ 171,307	$ 15,037	$ 5,575	$ 24,397	$ 998,698
Loans and notes payable	95,936	–	–	–	–	223	96,159
Other liabilities	–	–	–	–	–	20,598	20,598
Members' equity	147,732	–	–	–	–	27,230	174,962
	$ 833,882	$ 192,168	$ 171,307	$ 15,037	$ 5,575	$ 72,448	$ 1,290,417
Weighted average interest rate	2.54%	3.15%	2.85%	4.40%	4.10%		2.56%
Total interest rate sensitivity gap	$ 83,337	$ (48,719)	$ (67,379)	$ 46,540	$ 8,281	$ (22,060)	$ –
Cumulative interest rate sensitivity gap	$ 83,337	$ 34,618	$ (32,761)	$ 13,779	$ 22,060	$ –	$ –

Alberta Central uses gap analysis and simulation modeling to monitor and manage interest rate risk. Gap analysis measures the difference between the amount of assets and liabilities that reprice in a particular time period.

11. INTEREST RATE SENSITIVITY (continued)

Alberta Central's interest rate sensitivity position as at December 31, 2004, as presented above, is based upon the contractual repricing and maturity dates of assets and liabilities. The table shows the cumulative gaps at various intervals.

(thousands of dollars)	**2004**		2003	
	Book Value	**Fair Value**	Book Value	Fair Value
Securities	**$ 1,051,998**	**$ 1,049,566**	$ 884,250	$ 885,825
Loans	**182,336**	**183,885**	190,576	192,240
Members' deposits	**998,698**	**999,364**	918,427	919,068
Loans and notes payable	**96,159**	**96,159**	60,002	59,997

Estimated fair value represents the value of these instruments based on interest rates in effect at the balance sheet date.

12. OPERATING INCOME AND OPERATING EXPENSES

(thousands of dollars)	**2004**	2003
Operating income		
Financial services	**$ 11,132**	$ 11,638
Credit card processing	**23,945**	25,943
Member dues	**2,740**	2,536
Other	**3,563**	3,823
	$ 41,380	$ 43,940
Operating expenses		
Personnel	**$ 21,967**	$ 20,141
Property and equipment	**4,437**	4,163
Administration and other	**13,757**	16,581
Organization	**1,846**	1,568
	$ 42,007	$ 42,453

13. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

Alberta Central's off-balance sheet financial instrument position is summarized as follows:

(thousands of dollars)		**2004**		2003
Financial instruments whose contract could represent credit risk:				
Commitments to extend credit	**$**	**834,216**	$	776,062
Standby letters of credit and financial guarantees		**3,507**		3,215
Financial instruments whose notional amounts do not represent credit risk:				
For own account	**$**	**20,835**	$	35,835
As intermediary		**832,186**		699,417

Alberta Central has also entered into foreign exchange forward rate agreements, as intermediary, to swap US $6,800 (2003 – nil) for Cdn $8,418 (2003 – nil) effective on various dates throughout 2005.

Settlement of Alberta Central's financial instruments held for its own account at year end would result in a net receivable of $3,238 (2003 – net receivable of $607).

14. DIVIDENDS

(thousands of dollars)

Share capital dividends of $3,514 (2003 – $4,141) were calculated using members' minimum monthly common share capital account balances and the average monthly prime interest rate less 1.50%.

Patronage dividends of $3,000 (2003 – $3,000) were calculated using a formula based on the usage of products and services provided by Alberta Central and its joint ventures.

15. INCOME TAXES

The combined federal and provincial statutory income tax rate applicable to Alberta Central is 21.04% (2003 – 22.9%). Income taxes calculated at the statutory rate differ from the provision included in the statement of earnings for the following reasons:

(thousands of dollars)		**2004**		2003
Income taxes at the statutory rate	**$**	**1,242**	$	1,835
Increase (decrease) in income taxes resulting from:				
Tax on large corporations		**189**		268
Tax not recognized on loss from subsidiary of equity investment		**93**		–
Other		**4**		–
Provision for income taxes	**$**	**1,528**	$	2,103

16. COMMITMENTS

Alberta Central has the following operating lease commitments for premises:

(thousands of dollars)	
2005	$ 3,061
2006	2,979
2007	2,786
2008	2,705
2009	2,705
2010 and subsequent	5,410
	$ 19,646

17. PENSION PLANS

(thousands of dollars)

Alberta Central has established an unfunded, retirement income plan for executive management which provides a supplementary pension benefit. The projected benefit obligation, which amounted to $1,116 at December 31, 2004 (2003 – $859), has been provided for by annual charges to earnings.

Alberta Central contributes annually to a defined contribution pension plan for employees. The annual pension expense of $733 (2003 – $829) is included in personnel expense.

18. DIRECTORS' REMUNERATION

(thousands of dollars)	**2004**	2003
Remuneration paid to directors	**$ 135**	$ 143
Expenses paid on behalf of directors	**108**	118
	$ 243	$ 261

ALBERTA CENTRAL FIVE YEAR REVIEW

BALANCE SHEET

As at December 31 *(thousands of dollars)*	**2004**	2003	2002	2001	2000
Assets					
Cash and Securities	**$ 1,076,098**	$ 936,779	$ 1,101,367	$ 1,230,576	$ 933,355
Loans	**182,336**	190,576	126,757	95,828	119,225
Other	**31,983**	32,883	46,099	47,595	42,905
Total Assets	**$ 1,290,417**	$ 1,160,238	$ 1,274,223	$ 1,373,999	$ 1,095,485
Liabilities and Equity					
Deposits and Notes	**$ 1,094,857**	$ 978,429	$ 1,103,728	$ 1,216,078	$ 954,796
Other	**20,598**	19,009	24,386	25,021	21,736
Equity	**174,962**	162,800	146,109	132,900	118,953
Total Liabilities and Equity	**$ 1,290,417**	$ 1,160,238	$ 1,274,223	$ 1,373,999	$ 1,095,485

STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the years ended December 31 *(thousands of dollars)*	**2004**	2003	2002	2001	2000
Financial income	**$ 33,869**	$ 40,492	$ 36,956	$ 56,522	$ 52,665
Financial expenses	**24,588**	30,635	30,383	48,579	42,912
Net financial income before provision for losses	**9,281**	9,857	6,573	7,943	9,753
Provision (recovery) for credit and investment losses	**(249)**	330	100	138	281
Net financial income	**9,530**	9,527	6,473	7,805	9,472
Operating income	**41,380**	43,940	59,748	50,077	44,115
Operating expenses	**42,007**	42,453	57,688	47,285	42,690
Net operating income	**(627)**	1,487	2,060	2,792	1,425
Earnings before gain on sale	**8,903**	11,014	8,533	10,597	10,897
Gain on sale	**–**	–	3,875	–	–
Earnings before patronage dividends and income taxes	**8,903**	11,014	12,408	10,597	10,897
Patronage dividends	**3,000**	3,000	2,620	2,563	2,356
Earnings before income taxes	**5,903**	8,014	9,788	8,034	8,541
Income taxes	**1,528**	2,103	2,200	1,868	2,294
Earnings for the year	**4,375**	5,911	7,588	6,166	6,247
Retained earnings, beginning of year	**25,629**	22,909	17,770	15,233	13,311
	30,004	28,820	25,358	21,399	19,558
Share dividends	**(3,514)**	(4,141)	(3,196)	(4,820)	(5,885)
Recovery of income taxes on share dividends	**740**	950	747	1,191	1,560
Retained earnings, end of year	**$ 27,230**	$ 25,629	$ 22,909	$ 17,770	$ 15,233

ALBERTA CREDIT UNIONS FIVE YEAR REVIEW

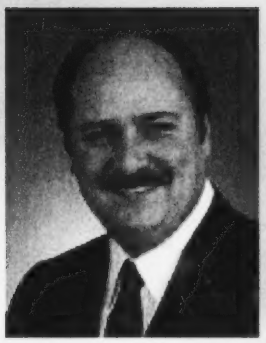
BALANCE SHEET

As at October 31 *(millions of dollars)*	2004	2003	2002	2001	2000
Assets					
Cash and securities	$ 1,512	$ 1,400	$ 1,476	$ 1,651	$ 1,465
Loans	8,153	7,467	6,568	5,681	4,986
Other	178	164	145	123	120
Total assets	$ 9,843	$ 9,031	$ 8,189	$ 7,455	$ 6,571
Liabilities and Equity					
Member deposits and borrowings	$ 9,067	$ 8,334	$ 7,592	$ 6,941	$ 6,122
Other	55	39	34	34	32
Equity	721	658	563	480	417
Total liabilities and equity	$ 9,843	$ 9,031	$ 8,189	$ 7,455	$ 6,571

STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the years ended October 31 *(millions of dollars)*	2004	2003	2002	2001	2000
Financial income	$ 488	$ 489	$ 449	$ 485	$ 429
Financial expenses	211	213	198	251	225
Net financial income before provisions	277	276	251	234	204
Provision for losses	9	10	8	6	6
Net financial income	268	266	243	228	198
Other income	88	81	73	66	58
Gross margin	356	347	316	294	256
Operating expenses	269	260	239	218	195
Earnings before patronage dividends and income taxes	87	87	77	76	61
Patronage dividends	21	21	20	22	19
Earnings before income taxes	66	66	57	54	42
Income taxes	15	15	13	13	10
Earnings for the year	51	51	44	41	32
Retained earnings, beginning of year	247	211	181	161	142
Share dividends and redemptions	(17)	(17)	(17)	(26)	(16)
Recovery of income taxes	2	2	3	5	3
Retains earnings, end of year	$ 283	$ 247	$ 211	$ 181	$ 161

STATISTICAL	2004	2003	2002	2001	2000
Members	638,499	636,973	623,112	587,705	561,273
Staff (FTE)	2,633	2,589	2,489	2,385	2,204
Branches	205	201	196	197	196
ATMs	228	224	204	198	183

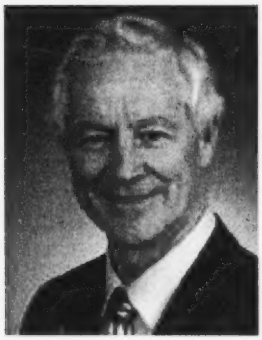


Pierre Amyotte
NORTH REGION

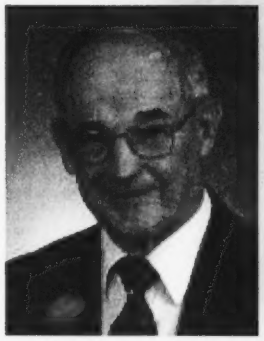
Ray Coates
NORTH REGION

Rene Dumas
REGION D

Cam Durham
NORTH REGION



Randy Harper
REGION C



Gerry Kiehl
REGION B

Greg Nail
SOUTH REGION

Bill Purdy
REGION A

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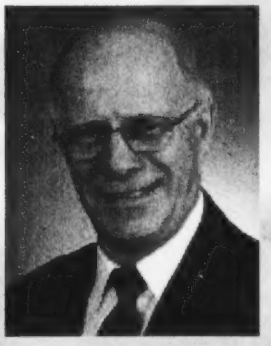
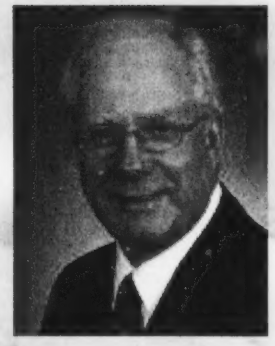
AlbertaCentral

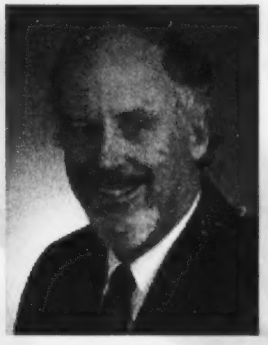
G. Penny Reeves
REGION A
CHAIR



Marcel Chorel
SOUTH REGION
FIRST VICE CHAIR



Rod Banman
REGION B
SECOND VICE CHAIR



Nigel Teucher
SOUTH REGION
SECRETARY

Terry Cooper
REGION C
IMMEDIATE PAST CHAIR

Pierre Amyotte
NORTH REGION

Ray Coates
NORTH REGION

Rene Dumas
REGION D

Cam Durham
NORTH REGION

Randy Harper
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Gerry Kiehl
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